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Industrial Horizons



MONTANA / FRONTIER OF INDUSTRIAL OPPORTUNITY

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Vacation Trailers---Potential Industry in Montana

During recent years, officials of our national and state parks have been emphasizing the need for trailer parks in Montana to provide stop-overs for an increasing number of tourists traveling with small vacation-type trailers.

The need is not difficult to recognize. Numerous sports and vacation trailers can be seen this time of year on our highways and in our recreational areas.

The popularity of these trailers raises the question whether trailers can be made here in Montana. In answer to this question, the State Planning Board during past months has endeavored to learn more about the problems and potentials of the industry.

Board Made Study

While time and staff limitations have precluded a comprehensive study, it is the Board's conclusion on the basis of investigation so far that sufficient market already exists for manufacture of vacation trailers in Montana, and that the market will expand substantially with each passing year.

Further, there is good reason to believe that such an industry can be developed in a Montana community, if sound management is combined with a willingness to engage in a field where competition is keen.

Here are some of the factors to be considered:

- Generally speaking, the vacation trailer is less than 25 feet in length, and while built with convenience in mind, it is not designed for permanent residential purposes. Most vacation models are in the neighborhood of 15 to 17 feet in length.

Assembly Operation

- Vacation trailer manufacture is basically an assembly type of operation. Only the body is constructed at the factory. Axles, wheels, windows, hitches, appliances, bunks, etc., are purchased from firms which specialize in supplying these items. Generally, raw materials and parts are or can be delivered here at competitive prices.

Machinery Costs Low

- Equipment for manufacture is the same as that used in well-equipped cabinet shops plus certain light metal-working and special automatic hand tools. Equipment costs should not exceed \$10,000.

Production Often Low

- Much of the industry is on a custom basis, each manufacturer capitalizing to some extent on individuality. Accordingly the industry is character-

ized by small firms, some of which make as few as 100 per year along with other lines of products. Around 250 to 300 per year appears to be a good minimum economic size to shoot for if a single product plant is contemplated. A ground-level building with minimum floor space of at least 7,000 square feet is desirable for a small-size plant. Some manufacturers produce out-of-doors. Outdoor storage of finished stock may be possible in Montana.

Existing Dealers

- No elaborate sales organization is required. Marketing is through independent mobile homes dealers. There are approximately 100 registered trailer dealers in the state. Of this number, about 40 handle vacation trailers. The dealers are fairly well distributed throughout the state. In addition, there are an unknown number of other outlets in nearby states and Canada which could be served from Montana. While sales are through independent dealers, promotional assistance is desirable, and helps to assure getting a fair share of the market.

\$75,000 Maximum Capital

- Total capital needs, depending on stock financing arrangements, range from \$30,000 upwards. The maximum requirement for a small plant, with a minimum of short-term bank financing, probably is near \$75,000.

Transportation Differential

- Local manufacture is possible from the viewpoint of transportation costs. Trailers are being trucked into Montana from as far as 2,000 miles away, and the closest factory is over 400 miles from Montana markets. Cost of delivered trailers amounts to 10 per cent or more of the price to the dealer. A 10 per cent differential gives the potential Montana manufacturer both a cost advantage and a good margin with which to get established.

Special Features for Mountains

- Special design for mountainous terrain may be advantageous for local manufacture, since existing models made in other Western states are not necessarily especially adapted to mountain country and rough roads.

Markets

- Manufacture of these vacation trailers in Montana seems to be feasible from the viewpoint of markets both within the state and in adjacent states and Canada.

Information obtained from the State Highway Commission shows that in 1956 over 22,000 trailers variously classified as house, camp, and utility trailers were licensed in Montana. This category in-

(Continued on Page 4)



Market for vacation type trailer coaches is growing steadily. More and more families are finding they are an inexpensive but convenient way to travel, as is shown in this photograph of a trailer camp in Glacier Park. Potential markets for a Montana-made trailer are not only in Montana, but also in Canada, the Dakotas and Northern Wyoming. (National Park Service Photo.)

Inquiries Raise Questions: Are We Competitive?

More and more small companies that are planning to build new plants are shopping for inducements from communities. This trend is coming to Montana, too.

For instance, we reprint an excerpt from a letter received by the State Planning Board from a Midwestern boat manufacturer.

"We would be interested in knowing what you have to offer in the line of building sites or buildings that could be rented or purchased on time payment plan and what concessions you are in a position to grant to a business coming into your area.

"Also, please advise the availability of labor supply and the going rates in your area for woodworkers and metal workers and the various classifications of skilled and unskilled labor."

Subsequent contact made by the State Planning Board with the manufacturer showed he desires a plant with 25,000 to 30,000 square feet of floor space on a site of 10 to 15 acres near a railroad. The plant would assemble boats for distribution in the Northwest. Initial employment would be between 35 and 40 people, and it was indicated that a small or medium-sized town in Western Montana would be suitable. Groups in other states have been contacted, so this letter is not only a request for information but also an inquiry about "inducements."

This is a highly suitable industry for Montana. Market-oriented, it would have few "nuisance" features and employment per dollar of investment would be relatively high. A Montana location would be suitable for distribution to growing Pacific Coast and Midwest boat markets (see article on pleasure boat manufacture, INDUSTRIAL HORIZONS, May 1957).

Tools of Development

Despite this suitability, the State Planning Board and local communities are in a poor position to handle industrial inquiries like this. The reason we have difficulty competing is that we haven't made much use of the tools of industrial development other sections of the country have used.

Organization for development is needed if Montana communities are to be competitive with cities elsewhere; and the organization should be functioning before prospects make inquiry.

Is your town interested in creating more employment and income through industrial growth?

Is your town in a position to respond to inquiries from industries?

Note: The above inquiry from the boat manufacturer has been referred to Western Montana Chambers of Commerce and the Tribal Councils of two Indian reservations. However, they are not yet known to be looking for such a location. More information is expected.

RESEARCH-ORIENTED INDUSTRIES—POTENTIAL FOR OUR BEAUTIFUL STATE

Summer is the season we really appreciate Montana.

Our mountains, lakes, clear skies, cool nights, and spacious plains make the most beneficial, most productive living possible, we feel.

People from other parts of the country feel this way, too. Over 3 million of them came here to partake of our good food.

Tourists Bring Money In

This tourist industry is big business. The aggregate of money spent by out-of-state residents is not far behind that of our basic industries. Agricultural products gross around \$380 million (1957), minerals \$202 million (1956), manufacturing \$141 million (1957), and other products \$104 million (1957). Total spent by tourists in 1956 approximated \$90 million, according to Jack Hollowell, State Advertising Director. Estimates for 1957 are much higher.

Tourist money is all new money, too—money imported into the state with no strings attached. This is the direct economic benefit of our beautiful surroundings.

But there is also an indirect benefit we should not ignore.

This is that with our excellent recreation potential, many of the people that visit here would like to live here if they could only find jobs.

Research Industries and Recreation

Which brings up the fact that there are certain industries which are influenced in their location by recreational opportunities. Many are those that spend a good share of their earnings on research and development; they can be termed research-oriented. With the trend in our economic system toward more technical machinery, more automation, and less human labor, these industries are also the ones that are growing fastest. They are building new plants, expanding their old ones, building new laboratories. They include such growth industries as electronics, pharmaceuticals, chemicals, scientific instruments, aircraft equipment, and ordnance.

These industries employ an unusual type of people, such as engineers and scientists, that command good salaries. Since there is a lot of competition for this service, these employees can pretty much pick where they want to live. Many of them have expressed a desire to live in recreation areas, such as Montana.

Technical School's Dilemma

Companies emphasizing research prefer to be located near a school which provides a good base of potential skilled employees. The reason is education for solution of technical problems, and which provides a source of recruits for re-education.

According to a Montana Engineering Fundamentals Study, "The State Planning Board is in a position to help."

A college curriculum in applied engineering could be developed to enable students to gain a degree in engineering from all the major Montana

colleges for the technical growing industries. Communities near such schools have available opportunities for locating industries if they make suitable sites and building arrangements available. This observation has been sharpened by what we have seen recently at Ann Arbor, Lansing, Chicago, Pittsburgh, Pasadena, Palo Alto, Ames, and Minneapolis.

Here in Montana we have two excellent research organizations—Montana State University and Montana State College. The Research and Endowment Foundation at MSC is already doing nearly \$150,000 worth of contract research on scientific problems.

Another desirable factor for Montana about these highly technical research-oriented industries is that their manufactured product often has low transportation costs in relation to value. For instance, a \$1 million computer, composed of many technical parts, can be shipped in one moving van, or in one railroad car.

Service Industries Often 'Footloose'

Another type of activity in which recreation potential may be a location factor is the paper-work, service type of industry: insurance companies, government offices, company general offices, etc. These industries are more and more decentralizing from congested downtown areas of large cities to regional offices, because they are not tied to any one set of location conditions. In regional offices they are able to build large centers with sufficient parking space, clean buildings with well-kept grounds. Denver and Colorado Springs have been especially successful in combining recreation and offices. Salem, Oregon, prepared a specialized brochure using its advantages as an office center, and was rewarded with some branch offices of insurance companies.

There are several limiting factors in Montana's potential for research-oriented industries. For one thing, our recreation season is somewhat shorter than that in areas such as Arizona and the Gulf Coast. Another thing is that we have no huge government installations, such as airbases, missile testing grounds, and ordnance depots. These could provide a focus for research activities. New Mexico, Arizona, Florida, and California are benefiting from this association. But these research-oriented industries are searching for us to investigate thoroughly. They are a way to combine the considerable recreation potential with the need for a large economic enterprise.

There is also a way to take advantage of the needs of the future: more employment for local industries.

Finally, they are a way of providing jobs for the growing numbers of Montanans entering the labor force, and for people that would like to live here but can't find jobs.

Helpful Hints for New Businesses

"Key Factors in Starting a New Plant" is the newest in a series of **Management Aids for Small Manufacturers** put out by the U. S. Small Business Administration.

The publication lists 8 factors which a survey of 130 operators of new enterprises consider vital to their success. These include:

1. Making sure that objectives and plans are reduced to writing and double-checked for clarity, completeness, and soundness.
2. Studying the market—know the customers, be sure of a continuing market, size up the competition, have at least one major competitive advantage.
3. Insisting on the most efficient production facilities—seek an advantageous location that permits expansion, install efficient equipment.
4. Reviewing trade experience and technical know-how of other manufacturers in the field.
5. Bringing capable associates into the organization—handpick the top staff well in advance of opening day, make sure of labor supply, seek qualified outside assistance.
6. Obtaining at an early stage firm commitments for needed capital—provide for contingencies, establish good banking relationships.
7. Providing for maintenance of adequate records of operations.
8. Considering necessary personal qualifications for business success—ambition, tenacity, enthusiasm, stamina, optimism, ingenuity, courage.

Copies of the full publication are available free from Small Business Administration, Federal Building, Helena.

STRAMIT IN HAVRE—COMMUNITY SUCCESS STORY

Work has started on the new Stramit factory, according to Havre Chamber of Commerce Manager Henry Fortier, Jr.

The plant will manufacture building board from wheat straw, a raw material in great supply in the Havre area, and heretofore burned or plowed under.

Stramit is manufactured by a process patented in Sweden. There are subsidiary companies in Stowmarket, England, and in Innisfail, Alta., holding exclusive franchise for production and distribution of the product in England and Canada. The Havre group holds the same franchise for United States markets.

The new company has been formed with Havre capital. Danny O'Neill, noted Havre businessman and rancher, was elected president last February. Other officers include Barney Haley, executive vice president and general manager; Richard Rubie, treasurer, and Fred Weber, secretary. A Consultant and Development Council to advise the company on expansion has been formed with President R. R. Renne of Montana State College as chairman. Stramit, Inc., was incorporated January 11, 1957, with an authorized capital of \$1 million.

Stramit is a building board 2" thick, 4' wide and any length desired (most common lengths are 8' and 10'). The board is made from dry, clean grain straw compressed under extreme heat and pressure (no added binder is necessary). Most of present production is being used either as an insulated roof deck or as non-load-bearing partitions.

It is covered by various grades of paper, and lends itself favorably to interior finishing. The new annex to Westminster Abbey in London and the

Ford plant in Edmonton are roofed with Stramit, and the UNESCO building in Paris uses Stramit for partitions.

O'Neill expects markets to be national, but concentrated in the West and Midwest at first. Employment will ultimately be over 100.

INTENSIVE WORK IN HAVRE PRECEDED STRAMIT

The Stramit corporation came into being as a result of an active industrial development program initiated two years ago by the Havre Chamber, according to George Bennett, former Chamber manager and now associated with Stramit.

First step was to form the Havre Development Company, which went ahead to locate desirable industrial sites in Havre and analyze Havre's assets and liabilities for attracting new industries. Some 40 businessmen were actively engaged in this preliminary work and each contributed up to \$200 working capital to secure options on land, carry out land surveys and eventually to secure industrial sites.

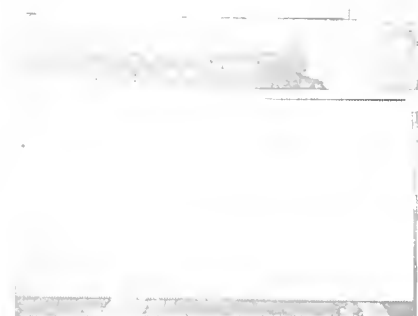
A program to interest industry was put together, and members made many trips, one as far away as San Francisco, another to Chicago and Detroit. Finally local contacts in Canada resulted in the decision of Stramit to grant a franchise in Havre.

None of the Development Company personnel had a background in professional industrial development work, according to Bennett. Many were successful businessmen, though, and a common-sense, business-like approach was all that was required. Two basic principles were involved:

1. Necessity of being completely realistic about the ability of the community to handle new people—government services, housing, construction, utilities, etc. The town must assess its shortcomings and correct them.
2. Need to determine the community attitude toward new industry—institute effective public relations campaigns to assure that the benefits of new industry are widely known.



Machine for compressing straw into Stramit is made and patented in Sweden. Straw is pushed through an extrusion tunnel which is heated to 300 degrees. Card-board liners are automatically glued to the straw with the edges of the liners neatly turned over the edges of the slab.



Close-up view of Stramit being applied to a wall.

...and vacation ... stock, U-haul, ... number is in ...

...open ... market for Mont- ... potential is good

...the market is not ... article in Business Week ... Western states have ... per cent over a ... even greater in- ... occurring in the ... Plains parts of the ... Pacific Coast States, re- ... to trailer use for vaca- ... recreational purposes here ... origin and promotional ac- ... the market are little ...

...analysis has discussed only ... trailers. But it is possible ... such as boat, stock, ... and car-top carriers, ... as by-products.

... of vacation-type ... a potential that merits ... Montanans—by indi- ... groups, and tribal coun- ... industrial expansion.

... two ways to approach ...

... can be made with existing ... who may wish to ex- ... Montana. Groups taking this ... be armed with facts, and ... information about induc- ... elsewhere in this publi-

... approach is to help an ... manufacturer get into ... or form a new company for ... through community efforts. ... available from the State ... either case.

... the Office of Area ... of the U. S. Department ... for military prime ... Montana firms from ... 1957 amounted to ... Only the Dakotas and ... smaller amounts.

MONTANA FACT BOOK AVAILABLE

Copies of the MONTANA ALMANAC will be available from the Montana State University Press, Missoula, August 1, according to University officials.

Over a year in preparation, the book is a complete summary of factual data on all aspects of Montana life. Main sections deal with physical, economic, historical, governmental, and social topics.

Under the economic section, which is of special interest to Montanans concerned with industrial development, chapters will deal with population and vital statistics; labor; economic indicators and personal income; agriculture; forest industries; mineral production; construction; manufacturing; transportation and communications; electric power and gas utilities; taxation; trades and services; finance, insurance and real estate; and housing and level of living.

Most data is complete through 1956, according to Dr. H. K. Shearer, editor of the ALMANAC and Director of the Bureau of Business and Economic Research at MSU. More than 50 experts in different fields cooperated in gathering data for the book. The Bureau coordinated preparation of the book and tabulated the data.

Price of the book is \$2. Soft-covered, it contains 400 pages of tables and text.

This book should be very valuable to all Montanans pursuing a factual approach to Montana's economic development.

According to press reports, Young Montana Mining Company, Inc., has already shipped 6,000 tons of 64 per cent iron ore this year to Eastern mills from the Willow Creek section of the Belt Mountains 16 miles south of Stanford. This year's quota is 60,000 tons; next year the company expects to ship 100,000 tons. President of the firm is E. A. Young of Hibbing, Minnesota, and owner of the claim is Dewey Whitaker of Seattle. An article and editorials on the subject from Lewistown Daily News were put into the Congressional Record of July 12 by Senator Murray.

MANUFACTURING IMPORTANT TO MONTANA ECONOMY

Manufacturing is on the increase in Montana.

According to the Unemployment Compensation Commission, Montana manufacturing employment grew from 17,981 in 1950 to 21,241 in 1956, an 18.1 per cent increase. During the same period total non-agricultural employment in the state grew by only 13.8 per cent. National growth in manufacturing employment 1950-56 was by 12.9 per cent, and in total non-agricultural employment by 16.0 per cent.

Thus, manufacturing employment is growing faster in Montana than in the rest of the country, but total non-agricultural employment is not keeping up.

Another index of manufacturing activity is "Value Added by Manufacture," which is the value of shipments of all products by manufacturing plants less cost of materials (including supplies, fuel, electrical energy, etc.) used in the manufacturing process. Data for 1954, the latest year for which "Value Added" figures are available, shows a 53.1 per cent increase since 1947, from \$90 million to \$141 million. Largest category in this data was lumber and wood products, with a total "Value Added" of over \$40 million. Thus forest products is Montana's largest single manufacturing industry.

72% Are Small Firms

Further interesting data on Montana manufacturing has been developed by UCC. According to a survey run for the State Planning Board, there were 1,085 manufacturing concerns in Montana in September 1956.

Of these 1,085, 784 or 72 per cent, employed less than ten people. Employing over 100 employees were 38 manufacturing establishments. These larger employers included 9 primary metals smelters and refineries (2 companies); 3 chemical plants; a cement plant; 4 oil refineries; 4 beet sugar refineries; lumber mills; 4 printing establishments; a gypsum plant; and meat packers.

Industrial groups included by UCC in manufacturing are: ordnance; lumber and wood products; furniture; stone, clay, glass; primary metals (smelting and refining); fabricated metals; machinery; transportation equipment; scientific instruments; food products; textiles; apparel, printing and publishing; chemicals; petroleum and coal products; and leather.

MONTANA STATE PLANNING BOARD

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